

What's Driving Insurance Costs?

Utah Counties Insurance Pool

Personnel Workshop

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Assistant Insurance Commissioner

May 13, 2004

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Overview

- Utah Insurance Department
- Accident and Health Insurance
- Insurance Fraud
- Property and Casualty Insurance
- Reinsurance
- Regulation

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www.insurance.utah.gov

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Mission

- Protect the public by
 - reasonably and fairly regulating the insurance industry,
 - fostering a competitive insurance market,
 - monitoring and promoting the solvency of insurance companies, and
 - detecting and prosecuting insurance fraud.

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Organization

- Office of the Commissioner
- 5 regulatory divisions – accident and health, examination, life, producer licensing, and property-casualty
- 2 support divisions – administration and information technology
- Fraud division
- Legal unit – administrative law judge, enforcement attorney and clerk, legal counsel

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Regulatory Divisions

- Examination – insurer solvency (analysis of financial information and financial examination); insurer licensing
- A&H, Life, P&C – rates and forms; consumer complaints; market regulation
- Producer licensing – individual and agency licensing; continuing education; market regulation

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Accident and Health Insurance

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Costs



- Professional – no market force pressures to reduce fee increases or limit construction of same capability facilities
- Hospital – no market force pressures to reduce fee increases or limit construction of same capability facilities
- Pharmaceutical – no market pressures to reduce fee increases; research and development costs passed on to purchaser

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Costs ↑

- Lifestyle issues – obesity, diabetes
- Aging population – 23% of Utah population are baby boomers (1946-1964);
- Mandates – in aggregate increase costs
- New technology
 - Electronic data interchange
 - Information privacy
 - Equipment, tests

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Costs ↑

- Not everyone in system – uninsured by choice, uninsured by employment

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Costs



- Electronic data interchange
 - Claims, eligibility, enrollment
 - Laboratory results
 - Pharmaceuticals
 - Electronic patient records
- Ability to negotiate for healthcare services
 - 2004 legislation

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Insurance Fraud

Utah Insurance Department Fraud
Division

www.ifd.utah.gov

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Costs

- Annual cost estimates
 - \$96.2 billion – all lines of insurance
 - \$100 billion – Medicare/Medicaid
- Phony claims
 - 28% of auto claims
 - 25% of workers' comp claims
 - 10% of healthcare expenditures
- High tolerance for insurance fraud
 - 2 of 3 Americans tolerate fraud in some degree
 - 2 of 5 Americans want no punishment for fraud; OK because insurers are unfair
 - 1 of 3 Americans would not report insurance fraud

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Fraud Division Statistics

	2002	2003
Referrals received	175	522
Investigations completed	173	191
Restitution ordered	\$625,000.	\$650,000.
Arrests	86	90
Case types – work comp	34%	03%
- auto	27%	15%
- health	11%	48%
- property	10%	21%
- producer	09%	02%

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Property and Casualty Insurance

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Costs

- All lines – increased litigation; insurer deep pockets
- Commercial auto
 - Seems to be stabilizing; moderate or no increase
 - Repair costs and medical costs continue to rise
 - Less frequency and severity

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Costs

- General liability – relatively stable
- Professional liability – continued slow growth in premiums; some movement of health professionals out of high risk specialties (OB/GYN)
- Workers' Compensation – slow growth in loss costs because of medical increases (principally increased pharmacy costs and utilization)

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Reinsurance

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Costs

- Still recovering from 9/11
- Uncertainty over renewal of federal backstop legislation
- No solution for workers' compensation exposure

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Regulation

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Regulation

- Small cost impact
- Costs are passed on to purchasers in form of higher premiums
- Multiple efforts to reduce cost of regulation
 - Uniformity in licensing procedures
 - Uniformity in rate and form filing procedures
 - Interstate Compact – uniformity in policy content standards
 - Uniformity in market regulation procedures
 - Increased use of automation
 - Uniformity in electronic data interface standards

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Questions?

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